UNIDO

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

REGIONAL CONSULTATION ON INDUSTRIAL REHABILITATION/ RESTRUCTURING WITH SPECIAL FOCUS ON THE FOOD-PROCESSING SUBSECTOR IN AFRICA

Vienna, Austria, 12–16 November 1990

REPORT

Distr.
LIMITED

ID/373
(ID/WG. 499/4)
31 January 1991

ENGLISH

PREFACE

The System of Consultations is an instrument through which the United Nations Industrial Development Organization (UNIDO) serves as a forum for developed and developing countries in their contacts and discussions directed towards the industrialization of the latter countries. Participants in the Consultations include government officials, as well as representatives of industry, labour, consumer groups and others, as deemed appropriate by the Governments concerned. The System facilitates negotiations among interested parties, at their request, either during or after the consultation meetings.

Benefits deriving from this activity include the identification of obstacles to industrial development in developing countries; the monitoring of trends in world industry with a view to identifying action-oriented measures for increasing the industrial output of developing countries; and the search for new forms of international industrial co-operation in North-South and South-South relations.

Since the inception of the System 1/ in 1975, Consultations have been held on the following industries and topics: agricultural machinery, building materials, capital goods, electronics, fertilizers, fisheries, food-processing, industrial financing, iron and steel, leather and leather products, non-ferrous metals, petrochemicals, pharmaceuticals, small- and medium-scale enterprises, the training of industrial manpower, vegetable oils and fats, and wood and wood products. The System brings together sectoral decision makers to deliberate on and propose concrete measures to accelerate the process of industrialization in developing countries. It has generated many innovations, particularly with respect to technological alternatives, integrated development and contractual arrangements. The many opportunities thus provided have led to the implementation of projects in technical assistance, investment promotion and technology transfer.

The Consultation process, by virtue of its consensual and normative character, has revealed itself to be an efficient vehicle for fostering co-operation. It is eminently suited to assist member countries in the formulation of strategies and policies for industrial development.

The System of Consultations operates under the continuous and close guidance of the Industrial Development Board of UNIDO. In addition to undergoing annual reviews and occasional progress appraisals, the System in 1989 was subjected to an in-depth evaluation, which concluded that it was making a major contribution to the development and formulation of UNIDO policies and programmes in specific sectors through integration and interaction with the other main activities of UNIDO.

1/ See Report of the Second General Conference of the United Nations Industrial Development Organization (ID/CONF.3/31), chap. IV, "The Lima Declaration and Plan of Action on Industrial Development and Co-operation", para. 66.

CONTENTS

	Paragraphs	Page
PREFACE		1
INTRODUCTION	1-5	4
AGREED CONCLUSIONS AND RECOMMENDATIONS	6-24	6
Chapter		
I. ORGANIZATION OF THE CONSULTATION	25-50	15
II. REPORT OF THE PLENARY SESSIONS	51-80	21
III. REPORT OF THE DISCUSSION ON ISSUE 1: MEASURES FOR THE REHABILITATION OF ENTERPRISES IN THE FOOD-PROCESSING SUBSECTOR IN AFRICA	81-119	25
IV. REPORT OF THE DISCUSSION ON ISSUE 2: NATIONAL POLICIES AND SUPPORT ACTION FOR INDUSTRIAL RESTRUCTURING FOR THE LONG-TERM PROFITABILITY OF THE FOOD-PROCESSING INDUSTRY IN AFRICA: INTERNATIONAL CO-OPERATION AND FINANCING FOR INDUSTRIAL RESTRUCTURING IN AFRICA	120-154	29
Annexes		
I. List of participants		33
II. List of documents		41

INTRODUCTION

1. The Regional Consultation on Industrial Rehabilitation/Restructuring with Special Focus on the Food-Processing Subsector in Africa was held at Vienna, Austria, from 12 to 16 November 1990. The Regional Consultation was attended by 92 participants from 48 countries and 5 international organizations (see annex I).

Background to the Regional Consultation

2. The Industrial Development Board, at its fourth session, in October 1988, decided to include a Regional Consultation on industrial rehabilitation/restructuring on a specific industrial sector for Africa in the programme of Consultations for the biennium 1990-1991. 1/

3. Preparatory work began with a review of UNIDO technical co-operation and other projects and of institutions related to the rehabilitation and restructuring of industry in general and the food-processing subsector in Africa in particular. Based on that assessment, the UNIDO Secretariat carried out a global study entitled "Industrial rehabilitation and restructuring in Africa: the case of the food-processing subsector" (IPCT.87/(SPEC.)). In addition, 14 case studies were undertaken in selected English- and French-speaking African countries. 2/ Their aim was as follows:

(a) To analyse the present situation of the manufacturing industries, with special focus on the food-processing subsector in Africa;

(b) To assess the requirements for rehabilitation and restructuring of the subsector;

(c) To determine policies and strategies to meet those requirements, as well as possibilities and practical modalities for implementing successful industrial rehabilitation and restructuring programmes.

4. Also in preparation for the Regional Consultation, the Expert Group Meeting on Industrial Rehabilitation and Restructuring with Special Focus on the Food-Processing Subsector was held at Vienna from 23 to 25 October 1989. It was attended by 13 participants from 12 African countries and 1 participant from an international organization.

5. Based on the preparatory work and the report of the Expert Group Meeting (IPCT.104(SPEC.)), the following issues were proposed to be considered at the Regional Consultation:

Issue 1. Measures for the rehabilitation of enterprises in the food-processing subsector in Africa:

(a) Role and present status of the food-processing subsector in Africa;

(b) Approach to industrial rehabilitation at the enterprise level.

1/ "Report of the Industrial Development Board on the work of its fourth session", 10-18 October 1988 (GC.3/2), annex I, IDB.4/Dec.8.

2/ The case studies are summarized in ID/WG.499/1(SPEC.).

Issue 2. National policies and support action for industrial restructuring for the long-term profitability of the food-processing industry in Africa: international co-operation and financing for industrial restructuring in Africa:

(a) Industrial stagnation in Africa: factors behind the decline and main reasons for restructuring;

(b) Industrial policy options and institutional reforms for the long-term profitability of the food-processing subsector;

(c) International co-operation and financing for industrial restructuring in Africa.

AGREED CONCLUSIONS AND RECOMMENDATIONS

Introduction

6. The Regional Consultation, conscious of the central role played by food processing industries in the economic and social development of Africa, considers it essential for the implementation of rehabilitation and restructur programmes to assign particular importance to the following points:

(a) In designing a rehabilitation programme, African countries should based on a thorough assessment of the food-processing subsector, give due consideration to industries that add value to local raw materials. The emphasis should be put on plants that can most efficiently use the scarce foreign exchange and other resources available for upgrading production and the performance of enterprises;

(b) Governments should combine the plant rehabilitation process with industrial restructuring programmes that will ensure dynamic growth, domest economic integration and the provision of support industries and services. The rehabilitation of enterprises should be an integral part of national strategies and plans for industrial development;

(c) In order that industrial rehabilitation projects can be implemente effectively, the promoters should be involved in the projects from the start

(d) A diagnostic study based on a realistic assessment, carried out by professionals and taking into account both the technical aspects and the economic profitability of the operation, should be conducted before any deci sion is taken to rehabilitate an industrial enterprise.

Issue 1. Measures for the rehabilitation of enterprises in the food-processing subsector in Africa

Conclusions

Management

7. The Regional Consultation reached the following conclusions:

(a) Managers of enterprises are often appointed without due regard to their qualifications and competence. This has a negative impact on the performance of enterprises;

(b) Public enterprises do not often attract competent managers because of low salary structures, a fact that would explain the shortage of skilled managers at all levels;

(c) Corporate plans and management information systems are essential management tools that are often lacking in Africa;

(d) The socio-cultural and political environment of enterprises affect the performance of managers;

(e) Promoters are not often involved in the planning stage of industri rehabilitation projects;

(f) Managers of both public and private enterprises are not given sufficient authority and autonomy to manage their enterprises effectively.

Production

8. The Regional Consultation reached the following conclusions:

(a) Quality control measures are of crucial importance in the efforts of the food-processing industry to promote exports;

(b) For the structural increase of productivity in small- and medium-sized enterprises, the following measures should be considered:

(i) The use of technology that would permit a flexible productive system based on local resources;

(ii) The introduction of managerial techniques such as production planning, cost accounting and total quality control, which would ensure the manufacture of appropriate intermediary and/or finished products;

(iii) The standardization of production, which would permit the interchange of spare parts and components, improve the maintenance of equipment and machinery and prevent long delays when breakdowns occur;

(iv) The provision of training, mainly in production planning, inventory management and total quality control.

Training

9. The Regional Consultation reached the following conclusions:

(a) The implementation of a successful enterprise-level rehabilitation programme requires training at all levels;

(b) The national capacity of the countries of Africa in contract negotiation must be strengthened.

Financing

10. The Regional Consultation concluded that food-processing enterprises in Africa faced the following problems:

(a) A shortage of working capital;

(b) A lack of medium- or long-term funds to finance rehabilitation projects;

(c) High interest rates;

(d) High inflation;

(e) High indebtedness.

Exogenous factors

11. The Regional Consultation reached the following conclusions:

(a) High costs and a shortage of factor inputs such as transport and energy have an adverse effect on the performance of industrial enterprises;

(b) Government price controls often negatively affect the profitability of industrial enterprises;

(c) The high share of energy costs in total production costs is a source of concern since it inhibits the ability of African countries to compete with countries having access to low-cost energy;

(d) It is necessary to shape the policy of national Governments on technical information and economic infrastructure so as to create an environment in which industrial enterprises can function efficiently.

Recommendations

National measures

Management

12. The Regional Consultation made the following recommendations:

(a) Managers of public or private enterprises to be rehabilitated should be chosen on the basis of merit and of competence in management;

(b) To attract competent managers to public enterprises, the salary structure or remuneration packages should be set at a competitive level, commensurate with the duties and responsibilities of the managers. The managers should enjoy sufficient authority and autonomy to be able to manage the enterprises effectively, following, where applicable, the directives given periodically by the boards of directors to which they report;

(c) Workers, through their representatives, should be associated, at the appropriate level, in the management and operation of the enterprise concerned and should be motivated to improve productivity and the quality of products.

Production

13. The Regional Consultation agreed on the following:

(a) Governments should make foreign exchange available for the purchase of spare parts for food producers and should assist them in developing inventory systems for spare parts. They should also promote the establishment of national or subregional units for preventive maintenance and repairs and for the manufacture of spare parts;

(b) Managers should be sensitized to the need for regular preventive maintenance to avoid breakdown maintenance. Quality control equipment should be properly maintained and its utilization greatly expanded;

(c) Technology, plant and equipment should be suited to local conditions. The planning of the capacities of production units and the selection of equipment and technology should therefore take into account local production

capacities and constraints with regard to raw materials, external supplies and services, markets and legislation. The establishment of applied technology centres should also be encouraged where they do not yet exist;

(d) Attention should be paid to labour-intensive technology in the African context, and appropriate systems of incentive should be designed to reward the labour force.

Financing

14. The Regional Consultation made the following recommendations:

(a) Investment decisions, whether they concern new investment or investment to replace equipment, should be based on a prior feasibility study to demonstrate the financial and economic profitability of the rehabilitation project;

(b) Financing institutions and donors should adapt interest rates, repayment periods and grace periods to the particular requirements of a rehabilitation project to help ensure its viability;

(c) As well as being able to supply the credit necessary for a rehabilitation project, financial institutions should be equipped with the means to act as advisers to the investors and to provide risk financing for services such as studies and expert advice.

Marketing

15. The Regional Consultation agreed on the following:

(a) The effort to integrate national markets into subregional and regional markets should be continued, encouraged and supported;

(b) Communication and storage infrastructures should be developed to favour and serve agro-industries;

(c) The commercial success of the products of the food-processing industry, on both domestic and external markets, is closely linked with product quality, conformity to standards and packaging. The marketing strategy of the food-processing industry should take this into account. African food-processing enterprises should therefore pay greater attention to marketing techniques in such areas as:

(i) Advertising and promotion;

(ii) Market research and intelligence;

(iii) Packaging.

Training

16. The Regional Consultation made the following recommendations:

(a) It is essential to improve the training of managers for both public and private enterprises, since the success of an enterprise depends to a large

extent on management capable of instilling the dynamism, seriousness and conscientiousness that are indispensable for the effective running of the rehabilitated enterprise;

(b) Management development programmes should be expanded to include middle management, with special attention being paid to women;

(c) Training activities in the field of marketing of products both on national and export markets should be encouraged;

(d) To strengthen the capacity of national Governments in the area of negotiations, UNIDO should custom-design seminars on the negotiation of contracts and on the acquisition and transfer of technology.

International co-operation

17. The Regional Consultation agreed on the following:

(a) Intensified North-South as well as South-South co-operation should be promoted to make possible the development of technologies better adapted to African countries with respect to capacity, simplicity of operation and maintenance, flexibility and mobility;

(b) South-South co-operation should give priority to standardization and quality control in the food-processing industry, thereby complementing North-South co-operation. UNIDO should support and promote such co-operation;

(c) In the framework of South-South co-operation, arrangements should be made to encourage subregional co-operation between African enterprises in the food-processing sector, for example, partnership arrangements between African countries.

Multilateral co-operation through international organizations, in particular UNIDO

18. The Regional Consultation recommended that UNIDO should, on request, do the following:

(a) Help African enterprises to draw up strategies and plans for the rehabilitation of enterprises;

(b) Assist in promoting technologies for the processing and preservation of perishable and seasonal products, in particular versatile technology that can be used to process a range of products. Technology centres for the food-processing industry should be set up;

(c) Assist Governments in establishing a data bank on sources of production equipment for the food-processing sector;

(d) Support rehabilitation programmes in Africa in co-operation with the other competent organizations of the United Nations system, assisting in pilot rehabilitation projects. The results of these pilot operations should be widely disseminated by UNIDO to maximize their benefit in terms of lessons learned.

Issue 2. National policies and support action for industrial restructuring for the long-term profitability of the food-processing industry in Africa: international co-operation and financing for industrial restructuring in Africa

Conclusions

19. The Regional Consultation reached the following conclusions:

(a) National policies in regard to industrialization do not take into account industrial rehabilitation, which usually takes place without any realistic assessment having been made;

(b) The failures of enterprises are very often due to the lack of autonomy of the top managers and the inadequate qualifications of the supervisory staff;

(c) The technologies selected often do not meet the needs. Hardly any local capacity exists in research and development, standardization and quality control;

(d) The established financing mechanisms do not facilitate the rehabilitation of agro-industry;

(e) Insufficient use is made of regional and international co-operation in the implementation of rehabilitation projects;

(f) The role played at the national and local levels by professional associations and organizations must be reinforced and supported. No matter how much the public sector is tempted to intervene in the day-to-day management of an enterprise, it should preferably perform a supporting and back-up function and ensure that all government departments take a positive attitude towards the needs of the enterprise.

Recommendations

National measures

Policies

20. The Regional Consultation recommended that the Governments concerned should:

(a) Consider the rehabilitation of ailing industries and restructuring as an integral part of national industrial development policies and give priority to the consolidation of the existing industrial fabric;

(b) Create an environment conducive to private initiative by formulating coherent and enduring rules for investments in private and public enterprises;

(c) Carry out a thorough analysis before selecting enterprises for rehabilitation so as to avoid perpetuating past mistakes. In this context, a comprehensive evaluation of the long-term commercial viability of projects should be undertaken, case by case, before any additional resources are allocated for the rehabilitation of the enterprises concerned;

(d) Establish decentralized focal points for decision-making, integrating all the actors involved in questions relating to the

rehabilitation and restructuring of agro-industries. To this end, socio-professional organizations should be encouraged to play a role of stimulation and co-ordination; they should also consult with the government authorities in order to determine the strategy to be applied on the basis of the specific needs to be met;

(e) In the formulation of national policies for industrial rehabilitation, take into account all forward and backward linkages, ranging from inputs for agriculture, agricultural produce as raw material and industrial processing and storage to distribution and marketing. For this purpose, a realistic assessment of demand remains an indispensable prerequisite;

(f) Gradually phase out policies aimed at the protection of certain industries to ensure that these industries can continue to operate successfully even in a competitive market environment;

(g) Develop new legal structures, following technical and financial diagnostic studies, to make the enterprise more efficient. Depending on circumstances, projects may remain in the public sector (this would be the case with so-called strategic projects or those having important repercussions on local social policy), be entirely privatized, be contracted out under independent management contracts or become mixed public-private projects.

Management

21. The Regional Consultation agreed on the following:

(a) In industrial projects connected with rehabilitation schemes, the legal system for the public sector should guarantee management autonomy in their decision-making. In return for this independence, a high degree of accountability and transparency will be required. Remuneration, stability of employment, career development etc. should all be tied to productivity. Remuneration should be comparable to that in private enterprises;

(b) The selection and composition of boards of directors, particularly those of public enterprises, should be governed by strict criteria: the membership should, severally, be competent in a number of fields and should possess industrial and management expertise. Where appropriate, recourse should be had to persons unconnected with the project, selected for their competence and independence;

(c) Top managers, as well as middle managers, should be continuously trained in the theory and practice of appropriate management techniques.

Technology

22. The Regional Consultation made the following recommendations:

(a) Appropriate mechanisms should be established in African countries to bridge the growing gap between research and development capabilities and the technological needs of the food-processing industry;

(b) Proven and well-tested technology adapted to local conditions should be employed in rehabilitation projects. The technology should be fully compatible with existing machinery and equipment;

(c) National institutes of technology properly linked to industry to provide technical back-up should be created or, if they already exist, should be strengthened so that they are able to assess and adapt technology options;

(d) Packaging, standardization, quality control and certification should be an integral part of a rehabilitation or restructuring project so that the enterprise is able to compete in national, regional and international markets;

(e) In technology transfer negotiations, the utmost care should be taken to ensure the adequate participation of local manufacturers and consultancy services. The training of national counterparts should be a priority and should be continually followed up. The greatest care should be taken to secure the participation in these negotiations of the producers or suppliers of the equipment, either as partners or as participants in the capital funding of the enterprise.

Financing

23. The Regional Consultation made the following recommendations:

(a) In funding rehabilitation projects, both multilateral and bilateral financial institutions should leave the choice of technological options and equipment to the recipients of the loans;

(b) African Governments should consider the following alternative financial arrangements so that their food-processing enterprises can be rehabilitated under the best possible financial conditions:

(i) Profit-sharing/risk-sharing;

(ii) Leasing with option to purchase the enterprise after a specified period;

(iii) Debt/equity swaps;

(iv) Joint ventures;

(v) Loans, technical assistance and grants from multilateral and bilateral sources;

(vi) Funds on concessionary terms;

(c) In providing funds for rehabilitation projects, development finance institutions should take care to ensure not only the completion of the project but also the functioning of the enterprise as had been expected. In particular, they should earmark resources for working capital and its foreign exchange component at preferential interest rates. For this purpose, mechanisms should be proposed that will make it possible to attenuate the impact of fluctuating exchange rates and interest rates on the enterprise.

International and regional co-operation

24. The Regional Consultation made the following recommendations:

(a) UNIDO, in collaboration with other relevant international organizations such as the Food and Agriculture Organization of the United Nations (FAO) and the African Development Bank and with the support of donor countries, should assist African countries, firstly, in formulating policies

and strategies for the rehabilitation of food-processing industries and, secondly, in strengthening support structures for industrial development. Such policies should be conceived in an integrated and global perspective. UNIDO should also prepare a list of African enterprises that have had successes in the food-processing sector and consequently possess know-how that could be exchanged in the context of South-South technical co-operation;

(b) To enable enterprises in Africa to obtain the most suitable technology and the best quotations for the supplies they need, UNIDO should disseminate its data on suppliers of technology, equipment and industrial inputs for the food-processing sector;

(c) African regional and national institutions for research and development, standardization, quality control, packaging etc. should be utilized in order to promote the creation of a suitable institutional environment at the national level at the lowest possible cost;

(d) Contacts and exchanges of information between the socio-professional organizations of African developing countries and those of industrialized countries should be encouraged;

(e) To ensure the long-term viability of the export-oriented food-processing industries of African countries, there must be access to international and regional markets. With regard to regional markets, there is an urgent need for Governments or, failing that, enterprises to define the conditions for interregional trade;

(f) The rehabilitation of food-processing industries in Africa offers a wide range of opportunities for co-operation between African countries and industrialized countries, notably enterprise-to-enterprise collaboration. These opportunities should be used to introduce technology, machinery and equipment adapted to local conditions;

(g) The international organizations concerned with multilaterial assistance for the implementation of structural adjustment programmes in Africa should take into account the need for African States to develop and/or improve the physical infrastructure. The rational allocation of resources for this purpose would contribute to the integration of agriculture and industry.

I. ORGANIZATION OF THE CONSULTATION

Opening of the Consultation

Statement on behalf of the Director-General

25. In the opening statement, presented on behalf of the Director-General of UNIDO, the Deputy Director-General, Department for Industrial Promotion, Consultations and Technology, said that the Regional Consultation would address the problems besetting the African manufacturing sector, which had been plagued by industrial deterioration and stagnation. The seriousness of the crisis was reflected in the underutilization of installed capacity by around 40 per cent in 1988 as well as in a sharp decline in manufacturing value-added. That, in turn, had led to a substantial rise in unemployment and a sharp drop in export earnings. The Deputy Director-General identified the increasing gap between the need for imported inputs and the ability to pay for them in foreign exchange as one of the main reasons for the lower capacity utilization. Simultaneously, domestic production was being adversely affected by the collapse in international commodity prices and in demand. He then underlined the importance of the food-processing subsector: because it accounted for one third of all manufacturing value-added in the developing countries and offered considerable employment opportunities, the food-processing subsector had been selected for rehabilitation and restructuring. He then remarked that a large number of African countries had become dependent on food aid and imports despite the large potential of their agricultural endowments. Projections indicated that by the year 2000 some 40 million tonnes of food would need to be imported to the continent. Therefore, in addition to the immediate causes of industrial decline, the problems of high costs, low productivity, export failures and low local linkages to the rest of the national economies needed to be urgently addressed. The revision of industrial development policies in Africa would inevitably involve a marked shift to agro-based, small- and medium-scale industries by, inter alia, creating conditions conducive to private investment.

26. The main objective of UNIDO technical assistance in the field of industrial rehabilitation was to improve capacity utilization and productivity. In that context, the Deputy Director-General remarked that the real challenge was to identify which enterprises were best suited to industrial rehabilitation.

27. He concluded by stating that the basic aim of the Regional Consultation was to determine the most effective means of contributing to the long-term profitability of the food-processing industries. To that effect, some concrete and action-oriented proposals were submitted for consideration by the Regional Consultation.

Statement by the Director of the System of Consultations Division

28. In welcoming the participants, the Director of the System of Consultations Division began by stating that the governing body of UNIDO had authorized the convening of the Regional Consultation because it recognized that the agricultural sector was the backbone of the economy in the majority of developing countries. In consequence, the UNIDO Secretariat had focused the preparation for the Regional Consultation on the key policy options and assistance packages to promote industrial efficiency and to suggest subsectoral and sectoral programmes of action to renew the growth of African food-processing enterprises. The Secretariat's preparatory analysis of the situation had been submitted to the Expert Group Meeting in October 1989. In view of the diversity and

complexity of the underlying problems, it was subsequently recommended that two key issues concerning corrective measures and policy options should be considered:

(a) Measures for the rehabilitation of enterprises in the food-processing subsector in Africa;

(b) National policies and support action for industrial restructuring for the long-term profitability of the food-processing industry in Africa: international co-operation and financing for industrial restructuring in Africa.

29. The salient facts of those issues were to be presented by the Secretariat to stimulate discussions. In that context, the Director of the System of Consultations Division underlined the paramount importance of identifying opportunities where technological, financial and managerial experience and support could lead to meaningful co-operation in mutually beneficial industrial undertakings. In short, the crucial task was to establish valid and practical links between three fundamental elements: agricultural production, processing and marketing.

30. The Director then briefly described the System of Consultations. In recognition of the interdependence between industrialized and developing countries, the objective of the System was to provide a forum in which representatives of industry, government, finance, labour unions, agencies and others could discuss, in an atmosphere of mutual respect, the problems and obstacles of a given industrial sector, with the aim of identifying the areas in which and the means by which international co-operation was possible and desirable for mutual benefit. Such a process was obviously enriched by the collective wisdom, experience and vision of the participants, whose recommendations and proposals were reached by consensus.

31. In that light, it was up to those participants most directly involved or concerned with the promotion and development of the food-processing subsector in Africa to tell the industry and the international community what they needed and what they expected to receive.

32. The Director concluded by inviting the participants to avail themselves of the many opportunities offered by the Regional Consultation to establish bilateral and multilateral contacts aimed at fostering and facilitating collaboration or technical assistance, investment promotion, technology transfer, marketing etc. The UNIDO Secretariat could be relied upon to render any service that would foster those contacts.

Presentation of the programme of the Industrial Development Decade for Africa

33. The Co-ordinator for the Industrial Development Decade for Africa (IDDA) briefed the Regional Consultation on the programme of the IDDA. He indicated that the main objective was to contribute to the promotion of accelerated self-reliant and self-sustained industrialization in African countries. To that end, the programme sought to provide a long-term perspective strategy that would bring about the basic transformation of the industrial and other productive sectors in Africa. It also sought to lay a sound basis for, and contribute to the establishment of, an integrated structure of core industries that would be mutually supportive and provide inputs to other industries and economic activities. The IDDA was proclaimed in order to focus attention on

and mobilize technical and financial support, particularly that of the international community, for accelerated industrialization in Africa. The first IDDA covered the years 1981-1990 and the second covered the years 1991-2000.

36. The Co-ordinator stressed that food processing was one of the priority areas for the IDDA as it would contribute to the achievement of food self-sufficiency and security.

37. Industrial rehabilitation was another priority area by virtue of its contribution to the regeneration and revitalization of existing industries. Such rehabilitation would facilitate the expansion of existing installed capacities and the promotion of new investments. There was a need to adopt a dynamic approach to the industrial rehabilitation of the agro-food industry. Such an approach would ensure that rehabilitation went beyond solving the technical problems of ailing industries and that it provided the necessary inputs and impetus to industrial development as a whole.

38. The Co-ordinator for the IDDA emphasized that within the framework of the IDDA, new approaches and concepts had been developed to facilitate the successful implementation of industrial rehabilitation as part of the overall dynamics for self-reliant and self-sustained industrialization. Those approaches included the integrated development programme, which emphasized and addressed industrial rehabilitation not only at the enterprise level but also at the subsectoral, sectoral and macro-economic levels.

39. Those approaches and concepts made it possible to look into the whole range of issues involved, including fiscal, monetary and financial policies, as well as investment promotion, trade, raw materials and infrastructure.

40. It was also emphasized that in the planning and implementation of industrial rehabilitation programmes, due attention should be paid to the nexus between industry and agriculture. It was widely recognized that sustained agricultural development in a country depended on the level of industrialization. Industry provided critical inputs into agriculture, particularly the production of food, while it also processed agricultural produce.

41. In developed countries, 60-80 per cent of agricultural output was processed by industry, while in African countries that percentage was 10-20. During the second IDDA, from 1991 to 2000, emphasis would be placed on the industrial rehabilitation of agro-industry, particularly the food industry, and on the simultaneous development of input industries to support rehabilitation and overall economic development. There was therefore a need to consider issue 2, which dealt with policies, bearing in mind that rehabilitation should not be addressed in isolation but as part of a package of measures geared to promoting accelerated and self-sustained industrialization.

Introduction to UNIDO technical co-operation programmes on industrial rehabilitation and restructuring

42. Rehabilitation, in its narrow sense of assisting an enterprise to address a specific problem in relative isolation from the complex framework within which that problem arose, had been a major activity of UNIDO for a long time.

Indeed, it had been estimated that rehabilitation accounted for more than half of all UNIDO technical co-operation activities.

41. Technical co-operation activities where UNIDO provided assistance in that narrow sense covered the whole gamut of issues and challenges that enterprises faced: from repair and maintenance to replacement parts and quality control; from standardization to control and measuring equipment; from management information systems through marketing to pre-investment analyses.

42. There was, however, a new, broader approach that differed substantially from the older, narrow approach:

(a) It was based on the understanding that what was needed was an integrated and multidisciplinary approach to the whole problem;

(b) Before beginning to create any new capacity, it would examine carefully the feasibility, from a financial standpoint, of rehabilitating existing plants;

(c) It viewed the enterprise in the totality of its national economic and sectoral environment, incorporating policy analyses as integral components of the whole;

(d) It considered that training at all levels, from the level of enterprise managers to on-the-job training, should be an inseparable part of UNIDO assistance and co-operation;

(e) It introduced elements such as energy audits and environmental impact assessments on the one hand and engineering support functions in areas such as product design on the other, as part and parcel of the total analysis and co-operation.

43. The new approach necessitated adherence to a four-stage methodology. The first stage was a pre-diagnostic one, in which the country, sector and/or sub-sector was surveyed to identify the industrial enterprise that would be the most suitable candidate for rehabilitation.

44. The second stage was the diagnostic stage, in which short-term reorganization and rehabilitation measures were carried out. Once the diagnostic analysis was complete, investment promotion measures would constitute the third stage, with a view to assisting the enterprise to finance the planned rehabilitation measures. In the fourth and final stage of the programme, the human resource needs were assessed in detail. Such a methodology often served as the basis for follow-up technical co-operation.

45. The UNIDO follow-up that would in effect be a fifth stage of the programme could cover a very wide gamut of activities, some of which would be technical assistance from experts in industrial operations and technology; co-operation in the development of technology and the promotion of technology transfer; further training in all aspects of rehabilitation, from preventive maintenance through financial analysis to production management; advice on sectoral and technological strategy and policy and on general management; the appraisal of complementary new investment projects for the expansion or diversification of existing production or the creation of new production; and co-operation in investment promotion and in contracting and negotiation.

Election of officers

46. The following officers were elected:

Chairman:	Januarius Gaspar Mrema (United Republic of Tanzania), Head of the Food, Beverages and Tobacco Sector, Ministry of Industry and Trade
Rapporteur:	Milkias Teklegiorgis (Ethiopia), Deputy General Manager, Ethiopian Food Corporation
Vice-Chairman:	Hunaina Sultan Al-Mugheiry (Oman), Director of Industrial Planning, Ministry of Commerce and Industry
Chairman of the working group on issue 1:	Manga Sanyang (Gambia), Senior Industrial Economist, Ministry of Trade, Industry and Employment
Chairman of the working group on issue 2:	Georges Cancade (France), Secrétaire général, PROPARCO, Groupe Caisse centrale de coopération économique

Adoption of the agenda

47. The Regional Consultation adopted the following agenda:

1. Opening of the Consultation

2. Election of Chairman, Vice-Chairman, Rapporteur and Chairmen of the working groups

3. Adoption of the agenda and organization of work

4. Presentation of the issues by the UNIDO Secretariat

5. Discussion of the issues

Issue 1: Measures for the rehabilitation of enterprises in the food-processing subsector in Africa

(a) Role and present status of the food-processing subsector in Africa;

(b) Approach to industrial rehabilitation at the enterprise level.

Issue 2: National policies and support action for industrial restructuring for the long-term profitability of the food-processing industry in Africa: international co-operation and financing for industrial restructuring in Africa

(a) Industrial stagnation in Africa: factors behind the decline and main reasons for restructuring;

(b) Industrial policy options and institutional reforms for the long-term profitability of the food-processing subsector;

(c) International co-operation and financing for industrial restructuring in Africa.

6. Drawing up of conclusions and recommendations

7. Adoption of the report of the Regional Consultation

Establishment of working groups

48. The Regional Consultation established two working groups to discuss the issues and to propose conclusions and recommendations for consideration at the final plenary. Manga Sanyang chaired the working group on issue 1 and Georges Cancade chaired the working group on issue 2.

Documentation

49. The documents issued prior to the Regional Consultation are listed in annex II.

Adoption of the report

50. The report of the Regional Consultation on Industrial Rehabilitation and Restructuring with Special Focus on the Food-Processing Subsector in Africa was adopted by consensus at the final plenary on 16 November 1990.

II. REPORT OF THE PLENARY SESSIONS

Presentation of the issues

Issue I: Measures for the rehabilitation of enterprises in the food-processing subsector in Africa

51. The issue was essentially to find ways and means of reviving agro-food enterprises that found themselves in difficulty in a competitive environment and of making them economically viable and commercially and financially profitable. The aim was not just to increase and sustain agricultural production but also to promote rural development, so as to provide farmers with substantial incomes that would enable them to consume the industrial goods of their choice.

52. An analysis of 204 agro-food plants in 24 African countries, which together had more than 70 per cent of the population of sub-Saharan Africa, confirmed that the African States, and UNIDO too, had every reason to be concerned. Of the plants studied, 22 per cent had stopped operating, 55 per cent were malfunctioning and only 23 per cent were operating satisfactorily.

53. Various reasons had been put forward to explain these malfunctions and breakdowns. Often, although not always, the problems could be traced to one or more of three stages: planning, implementation or production.

54. At the planning stage, many projects were set up without any realistic assessment of the potential markets, with the result that plants were often too large. Proper consideration was not given to the selection of production processes, financial arrangements and locations, and they were not always appropriate.

55. At the implementation stage, there were cost overruns resulting from delays in construction or in the acquisition of the necessary licenses; machinery was often not properly tested before commissioning; and the training of manpower was simply neglected.

56. At the production stage, inefficiency and unprofitability raised doubts about the reliability of plant management. It was found that bad organization led to high production costs and inadequate quality control. A chronic shortage of spare parts and problems with maintenance went hand in hand with irregular supplies of raw materials and shortages of working capital.

57. Since existing industrial capacity in agro-industries in general and the food-processing subsector in particular was only partially utilized in sub-Saharan Africa, rehabilitation measures were necessary to bring about the necessary industrial transformation. Any programme to rehabilitate an enterprise would have to reorganize production, restructure the financial situation and upgrade training at all levels. Rehabilitation was needed to make the enterprises more competitive in a changing economic and political environment by lowering costs, raising quality, improving distribution and increasing financial flows.

58. UNIDO conceived the new approach to this matter in the form of an integrated programme. Such a multidisciplinary approach was essential in that it examined the enterprise to be rehabilitated in its total environment. Rehabilitation measures would have to be based on an in-depth understanding of

the causes and nature of a particular rehabilitation effort. Economic viability and financial profitability would be the two main criteria when enterprises were being chosen for rehabilitation.

59. The goal of economic viability and financial profitability would be achieved only if African industry could obtain technology that was adaptable to local conditions and, more important, if it could provide itself with staff capable of selecting, assimilating and developing technology that was appropriate to the circumstances and thus capable of yielding the desired results.

60. From that standpoint, there were various opportunities for co-operation in, for example, training the work force to improve their production skills, not forgetting the urgent need for quality control of the finished goods, or training them in the use, repair and maintenance of equipment. Co-operation might also take the form of partnerships with associates who could not just provide the needed financing but who could also share their many years of hard-won experience in management, know-how, outlets etc.

Issue 2: National policies and support action for industrial restructuring for the long-term profitability of the food-processing industry in Africa: international co-operation and financing for industrial restructuring in Africa

61. Issue 2 would concentrate mainly on the macroeconomic factors required for the successful rehabilitation of the food industry, ensuring its long-term profitability. It therefore encompassed the restructuring of the economic network, the industrial climate and the fiscal and administrative measures under which the food-processing enterprise was to operate.

62. Import substitution had been the major goal, thought to be achievable by measures that were highly protective of infant industries. However, infant industry status was often bestowed for an excessively long period. Industries had not been competitive for a number of reasons: insufficient qualified manpower at all levels; a lack of raw materials; neglected maintenance; inadequate physical and institutional infrastructure; outdated technology etc. That had resulted in distorted development and a capacity utilization as low as 40 per cent.

63. In addition, Governments had determined prices for both manufactured goods and raw materials, leaving the managers of public and private enterprises only small profit margins.

64. With regard to technology, mistakes had been made in the selection and procurement of machinery and equipment. Equipment to supplement existing equipment needed to be selected with great care, since it should be compatible with the machinery to be retained. For the smooth operation of the production process, machinery and equipment required maintenance. Parts and components needed to be replaced after some time owing to wear and tear. The timely availability of spare parts had always been a problem, often because of the lack of foreign exchange.

65. Therefore, working capital required for the import of supplies, raw materials and packaging material should be made available. In addition, it was important to provide foreign currency for the purchase of spare parts, attendance at training courses abroad etc.

66. Another factor that was important for the smooth functioning of a factory was the physical infrastructure of the place where it was located. A good transport system was needed because the raw materials and end-products of food industries were highly perishable.

67. While the cultivation of agricultural raw materials for the food industry was seasonal, food processing and consumption, in general, continued year-round. The provision of storage facilities thus became crucial.

68. There was also demand for the services of specialized institutes such as quality control centres and standardization units. In Africa, research and development had to some extent been neglected. In that respect, the activities of national engineering consultancy services, which had the potential to become partners for research and production in the food-processing sector, should be encouraged and contacts should be established between all the parties.

69. Fiscal and monetary measures should be less restrictive, and more incentives should be offered to unleash managerial and other talents.

70. More emphasis should be given to inter-African co-operation, since many smaller African countries suffered from low capacities, small markets etc. Intra-regional co-operation in trade, communications, transport, power supply, banking and insurance would expand activity to the benefit of all countries.

71. There should also be co-operation in telecommunications, information, marketing etc. Other areas in which there was opportunity for inter-African co-operation included engineering consultancy companies, research and development institutes and universities.

72. International co-operation was needed regarding the transfer of technology. African countries should have easier access to advances in technology, patents and know-how, which would improve the investment climate for foreign investors.

73. Finally, developed countries should not only provide advice, know-how and funds for rehabilitation and restructuring but also open their markets for products from African countries to assist them in their rehabilitation efforts.

Summary of discussion

74. The view was voiced that the ownership structure of an enterprise engaged in the food-processing industry had a crucial bearing on the conduct of its business. Subsidiaries of large multinational companies operating in Africa were not confronted by the same types of problem often besetting African enterprises, particularly those in the public sector. It was pointed out that a clear distinction had to be made between increasing agricultural output *per se* and increasing the capacity of the food-processing industry.

75. It was stressed that external factors often played a decisive role in the development of food-processing industries in Africa. Those factors included access to suitable technology and to market intelligence, usually not easily available to enterprises in the developing countries. Without the benefit of such inputs, the commercial or even the technical feasibility of most rehabilitation projects could not be realistically envisaged. By providing those crucial ingredients, enterprise-to-enterprise co-operation would contribute to the success of restructuring projects.

76. The potential for regional co-operation in Africa was noted, particularly with respect to market-sharing; joint manufacturing units; collective export schemes; and the pooling of resources for research and development, engineering and consultancy services and planning and management capabilities etc. However, a number of participants said that the selection of projects for rehabilitation should adhere to rigorous economic and financial criteria. In the experience of some, it was often more difficult to justify the allocation of resources to rehabilitation projects than to start up a new industrial project. That was particularly true in cases where the initial unit had had a less-than-sound economic footing, which was not rare in developing countries.

77. It was noted that documentation submitted to the Regional Consultation by the UNIDO Secretariat had focused on the key aspects of a diverse and complex industrial subsector and had contributed positively to the formulation of concrete and effective recommendations. The issue papers presented orally by the Secretariat were given special mention.

78. On the question of low capacity utilization in the subsector, it was pointed out that indications of installed or name-plate capacity were often ficticious or misleading and thus misrepresented the true operational throughput of most plants. In many cases, the technology was obsolete and did not allow the plant to operate, even under optimal conditions, at or near its rated capacity. Therefore caution had to be exercised when comparing the operational efficiency of those plants with that of plants in developed countries.

79. An integrated and global approach that considered simultaneously the problems of training, maintenance, appropriate technology, commercial viability etc. was judged indispensable in rehabilitation projects. A possible method of achieving the above objectives was suggested. First, a comprehensive pre-diagnostic study of the enterprise to be rehabilitated should be carried out. That could be followed by the training of manpower to ensure the smooth operation and maintenance of the plant. Only then could the most suitable and appropriate industrial processing options be defined, taking into account specific local and regional requirements.

80. The notion of "rehabilitation intelligence" was introduced: the judicious choice of ailing industries for rehabilitation was of paramount importance. In fact, many enterprises did not lend themselves to industrial salvation, since even after costly rehabilitation they would not generate enough of a long-term cash flow to justify the capital investment and the allocation of additional resources.

III. REPORT OF THE DISCUSSION ON ISSUE 1: MEASURES FOR THE REHABILITATION OF ENTERPRISES IN THE FOOD-PROCESSING SUBSECTOR IN AFRICA

General management

81. The participants agreed on the importance of the rehabilitation of the food-processing subsector in Africa. They recognized that although managers in African enterprises had received training that met international standards, those same managers were not able to function efficiently after returning to their own country, despite having been successful in an industrialized country. In Africa, they often had to function in a less-than-transparent environment.

82. Some participants stressed that that was more of a problem in public-sector enterprises than in small- and medium-sized private-sector enterprises. The selection and appointment of managers must be done with care; it should be competitive and based on merit. The participants recognized that because of the low salaries they offered, public/state enterprises did not generally attract competent managers. The apprentice system would be one method of developing more competent support managerial staff.

83. One participant said that expatriate managers were often given more favourable treatment by the authorities than were local nationals. Attitudes had to be changed.

84. There was a lack of corporate planning to guide the operation of an enterprise as well as a lack of management information systems to monitor and evaluate its performance.

85. One participant stressed the need for the greater participation of workers in the running of an enterprise: they should be involved in all aspects of management, sharing in the difficult decisions as well as the easy ones. It was not conducive to efficiency if workers were told only when the enterprise was not working as it should. Many African food-processing industries had no board of directors.

86. One participant pointed out that there was a tendency to create over-lapping management structures, which did not necessarily yield the desired results in solving management problems.

87. Some participants pointed out that the manager should be involved early, at the planning stage of the project, rather than later on.

88. It was observed that entrepreneurs lacked education that taught them how to run an industrial enterprise: their experience had been gained mainly in the commercial sector. One participant stressed that it was important to differentiate between the formal and informal sectors and indicated that the formal sector suffered from lack of qualified staff and management systems.

89. Some participants stressed the importance of analysing all the relevant factors before making a decision to either rehabilitate or close an enterprise.

Production

90. Many participants mentioned the importance of setting criteria for the selection of technology that catered to local requirements and conditions.

There was a need to develop skills for negotiating the acquisition of technology. There was also a need to exchange information on and experience in the production facilities available in Africa and on sources of supply and specifications for machinery and equipment.

91. Some participants pointed out the lack of quality control, which was of prime importance to the food-processing industry. There was a need to ensure that quality control instruments were made available and properly maintained. They emphasized that not enough importance was given to maintenance, particularly preventive maintenance, and said that sometimes equipment was operated until it was no longer worth repairing or even able to be repaired.

92. Participants agreed on the importance of South-South co-operation in the area of standards and quality control in the food-processing industry. Those efforts would complement North-South co-operation in the same area. One participant mentioned constraints in connection with South-South co-operation, such as language barriers and delays in the delivery of equipment and spare parts. There was a chronic insufficiency of spare parts. In that connection, many participants underlined the need for African enterprises to establish inventory management systems, which would involve a timely assessment of spare part requirements.

93. Another participant said that labour was seldom really cheaper in African countries, although that was often claimed to be the case. It was necessary to take into account productivity when considering the cost of labour. The achievement of productivity targets could be linked to a reward system.

94. Some participants mentioned the need for versatile and multi-purpose production facilities to process perishable and/or seasonal products such as fruits and vegetables.

Finance

95. Some participants stressed the chronic lack of working capital. Mention was also made of the need for long-term financing for rehabilitation projects. High interest rates and inflation adversely affected the performance of most food-processing industries. Another difficulty faced was the inability to provide collateral in addition to meeting debt equity ratio requirements of banks.

96. One participant underlined the need to recognize that banks and entrepreneurs should be considered as partners in a venture. In that partnership, due care had to be taken to select an appropriate financing scheme that would ensure the viability of an enterprise.

97. Some participants highlighted the importance of the technical advisory services that banks offered to enterprises.

98. In negotiating a financial package, attention must be given to ensuring an adequate grace period, taking into account the start-up time of the project.

99. One participant expressed the need for the strict surveillance of allocated funds so as to prevent their possible misuse. Another participant added that government price controls adversely affected the profitability of the food-processing industry.

Training

100. It was generally felt that there was a need for at least three different types of training to allow African countries to operate their industrial enterprises more efficiently. The first type would train top managers in corporate strategy and the medium- and long-term development of enterprises.

101. The second type of training would focus on the selection and financial evaluation of potential rehabilitation projects. Such training was relevant not only for the enterprises but also for the ministries of industry in the countries concerned.

102. Throughout the discussions in the working group, emphasis was placed on the importance of the technical aspects of rehabilitation, from preventive maintenance and quality control to the management of spare parts. Those technical aspects would be covered in the third type of training, which would also offer seminars to improve the negotiating skills of top management and government officials.

Marketing

103. One participant expressed the view that commercialization was easier to discuss than to put into practice. Weak buying power and the small size of an enterprise were problems in that regard. There was little or no money for marketing or promoting a product.

104. Another participant pointed out that there was a difference between training for upper level managers and that for workers.

105. One participant expressed the view that financial institutions had often underestimated the importance of marketing. He said that if an enterprise failed it was sometimes due to a lack of attention to marketing.

106. The same participant stressed that it was essential to produce only that which could be sold. Therefore it was important to ascertain where there was a market. A project must be assessed in that way before implementation. He went on to say that competitive marketing was necessary.

107. Another participant said that production should first meet local needs; any surplus could then be considered for export. Giving priority to exports could lead to shortages of food products for everyday consumption at the national level, which would undoubtedly give rise to social troubles. The same participant stressed the importance of improving the quality of products both for local consumption and for export and urged African Governments to double their efforts to produce more in order to achieve food self-sufficiency, which was one of the priority objectives in Africa.

108. Some participants stressed that it was difficult to reach particular markets and indicated that in-depth knowledge of the market was an important factor for market penetration. Intermediaries between developing and developed countries could facilitate access to new markets.

109. Some participants pointed out that as far as African enterprises were concerned, marketing strategies were often lacking. Not enough attention was paid to distribution channels.

110. A few participants raised issues related to imports, such as unfair competition, undercharging, dumping and the low quality of products from

abroad. The lack of reliable data made it difficult to know the true value and volume of imported products.

111. Another participant pointed out that the lack of up-to-date statistics and the ambiguity of some import tariffs made it difficult to get a good picture of existing market shares. He underlined the need to establish data banks in all sectors where reliable information could be found.

112. One participant emphasized the importance of hygiene, which was lacking in many food-processing enterprises. He said that led customers to distrust the quality.

113. Many participants agreed that there was excessive protectionism, which often had an adverse effect on quality. It was agreed that rigorous control could be one means of solving the problem.

114. A few participants underlined the importance of product image and marketing, including processing and packaging. It was pointed out by one participant that local products were generally sold at controlled prices, whereas imported products often provided retailers with higher margins. The image of a product depended on its packaging; presentation created identity. That was often dealt with too late by African countries. He also drew attention to "invisible" commercial barriers. He pointed out that European legislation was fundamentally aimed at the protection of consumers and expressed the view that a better image could be achieved for African products by placing greater emphasis on quality and packaging.

115. A few participants drew attention to the financing infrastructure, which they believed to be particularly important in the agro-industry.

Extraneous factors

116. Many participants recognized the importance of energy. One participant said that water should be considered at the same time as electricity and gas were being considered as it was widely used, particularly in meat processing. However, the main problems with water related to its quality: it was often untreated and contained deposits that led to higher energy consumption and poor performance of the equipment.

117. For countries without fossil fuel, electricity was a big problem. Energy costs could account for as much as 25 per cent of production costs, and at the enterprise level, energy-saving measures were urgently required. The participant went on to say that transport also presented problems. The costs of sea and air transport were too high for some developing countries. They were regulated by agreements and depended inversely on the volume of trade, which was greater in the North-South direction than in the South-North direction.

118. One participant pointed out that there needed to be a link between rehabilitation and restructuring policies.

119. One participant raised the question of solar energy as an alternative to electricity. However, other participants expressed reservations about solar energy, pointing out that the technology was still at an experimental stage for industrial applications.

IV. REPORT OF THE DISCUSSION ON ISSUE 2: NATIONAL POLICIES AND SUPPORT ACTION FOR INDUSTRIAL RESTRUCTURING FOR THE LONG-TERM PROFITABILITY OF THE FOOD-PROCESSING INDUSTRY IN AFRICA: INTERNATIONAL CO-OPERATION AND FINANCING FOR INDUSTRIAL RESTRUCTURING IN AFRICA

Policy

120. It was noted that, owing to low capacity utilization, there was a need for formulating and implementing comprehensive strategies and policies for industrial rehabilitation, particularly in the food-processing sector. In the formulation of that policy, all components, including forward and backward linkages, should be taken into consideration, starting with inputs to agriculture, agricultural production as raw material, industrial processing and the storage of raw materials and ending with final products, marketing and distribution, including a realistic assessment of the demand. The interdependence between agriculture and industry was widely acknowledged and required harmonization between agricultural and industrial policies. The local production of raw materials was needed to secure a regular and reliable supply of inputs to food-processing plants; however, those inputs should not endanger the food supply of the rural population, which carried out subsistence farming.

121. Limits to liberalization and privatization should be established. The pace of implementation should depend on the prevailing conditions in each country.

122. It was thought important to grant limited protection to nascent enterprises to enable them to build up strength gradually. However, unlimited protection led to inefficiency and uncompetitive enterprises, so a time limit was desirable.

Management

123. A number of participants spoke of the need for more transparency in management and said that the legislation surrounding the running of such enterprises should be updated to facilitate transparency.

124. It was recognized that managers needed to be selected on the basis of their qualifications. They required clear instructions as to the objectives of the enterprise that they were to manage. They should also be able to execute their responsibilities freely, receive reasonable remuneration and be made fully accountable for their work.

125. Some participants underlined the importance to be attached to the selection of members of boards of directors. Board members should be technocrats, represent different disciplines of relevance to the production of the enterprise and have experience in industry. Moreover, the managing director appointed by the appropriate government authority should report to the board of directors only.

126. While contracts with outside management to take over the running of a public enterprise were one means of solving problems, such contracts needed to guarantee the training of local personnel for the eventual take-over of the enterprise. Training abroad was considered essential for staff at the management and supervisory levels.

Technology

127. The selection of technology was an important element in establishing a plant since it determined to a great extent the plant's long-term profitability and viability. While there was a full choice of technology when equipment was purchased by international bidding, the choice was to some extent limited in cases of bilateral assistance agreements. Only previously tested and well-proven technology should be accepted if the target set for the enterprise was to be reached.

128. In any case, the acquisition of technology agreement should provide for the training of staff by the supplier of the equipment, even before it had been installed. Such training might include time spent with the supplier in the supplier's country. Practical training in the daily operation of the plant was of major importance for its smooth functioning.

129. Some participants stressed the need for an initial and continuous supply of spare parts and for adequate amounts of working capital for that purpose.

130. It was felt that industrial rehabilitation raised special issues with regard to the choice of technology where working machinery already existed and the task was to integrate new machinery or technology. It was felt that any technological change introduced should be compatible with existing equipment. The choice of technology should be based on a thorough diagnostic study, including an assessment of the level of technology required, taking into account the availability of local technology.

131. It was considered useful for entrepreneurs and managers to receive advice on the choice of technology from local groups such as research institutes and chambers of commerce.

132. Joint ventures were considered an extremely valuable mechanism for the transfer of technology.

Finance

133. All participants agreed that the securing of financial support was a major problem in the rehabilitation process. In particular, they emphasized that a lack of working capital had led many enterprises into serious difficulties. In addition, many enterprises had had too great a burden of debt in relation to equity.

134. Another problem was the cost of financing, which was high because of high interest rates. It was generally recognized that interest rates had tended to be too high in African countries, and some participants stressed the need for them to be liberalized and to approach market rates. That would facilitate the availability of funds for rehabilitation.

135. Yet another issue was foreign exchange risk. Many enterprises with loans in foreign currencies had been thrown into financial difficulties by unfavourable changes in exchange rates.

136. Note was taken of various schemes, for example in France and Morocco, whereby some private institutions acted as additional guarantors of loans given mainly to small- and medium-scale enterprises. For larger enterprises in Africa, that risk had usually been taken by Governments.

Infrastructure

137. All participants agreed that adequate infrastructural support was essential for successful rehabilitation. The poor condition of many roads in Africa was mentioned, especially roads connecting factories in rural areas. That had led to increased transport and distribution costs and thus higher product prices, further decreasing the competitiveness of African products. It also appeared that, for whatever reasons, the initial decisions on the location of enterprises had been flawed with respect to the cost of transportation of products to and from the factories.

138. The irregularity and unreliability of power supplies had hindered production and communication. Communication systems, particularly telephone systems, had also been inadequate.

139. Difficulties in ensuring adequate water supplies had also been an obstacle for efficient production.

140. A special concern was facilities for storing raw materials as well as manufactured products. Adequate storage facilities were particularly important in food-processing industries owing to the seasonality of the raw materials. Inadequate storage facilities had led to large amounts of spoilage. Post-harvest losses were common. In many cases silos had been installed without the requisite accessories by the suppliers.

141. The participants were unanimous in calling for more adequate attention to be given to standardization, quality control and assurance. Many countries did not have standards that were recognized at the domestic or international level, or any standards at all. Quality control, i.e. testing laboratories at either the enterprise or the national level, was the exception rather than the rule. Thus, locally processed products had often not been of acceptable international hygienic standards. That had limited the export possibilities of many countries.

142. Some participants emphasized that in the provision of adequate physical as well as institutional infrastructures, the State had an important and continuing role to play. However, there were also possibilities for the private sector to co-operate with the State in that area.

Research and development

143. The issue of research and development, especially with regard to the transfer, adaptation and selection of technology appropriate for African conditions, was debated at length. Many participants pointed out that the inability to handle imported technology had been a major reason for the breakdown of machinery, the need for spare parts, the lack of preventive maintenance and, ultimately, the need for rehabilitation. It was felt that domestic research and development institutions could play a pivotal role. Domestic research and development institutions could, if appropriately allied with industry, adapt improved technology to local conditions, advise on the selection of appropriate technology and machinery and undertake research to promote the utilization of locally available and/or grown raw materials. It was also considered important to support technological efforts by developing a more adequate capability in national engineering consultancy services.

144. In all the above, Governments should play a major supporting role. The participants stressed that research and development for technological

adaptation and commercialization should be undertaken by local institutes rather than institutes in developed countries.

Policy requirements for the long-term profitability of the food industry

145. The importance of creating an environment conducive to the rehabilitation of enterprises into profitable entities was acknowledged. That required a restructuring of the incentive systems for business enterprises, i.e. the tariffs and duties, company taxation, price controls and so on. It was important to give enterprises every incentive to become profitable on a long-term basis. That also required the responsible management of public financial policy and the judicious use of monetary policy.

146. A government policy was also necessary to mitigate the adverse effects of the dumping of artificially under-priced imported goods, which had posed unfair competition for struggling African enterprises.

147. It was also felt that many Governments had not developed policies conducive to the rehabilitation of ailing enterprises, particularly in the public sector.

148. The fact that responsibility for agro-industries often lay with both a ministry of industry and a ministry of agriculture had sometimes led the ministries to vie for the same client. It also meant that there was often no clear policy towards agro-industry and its rehabilitation.

National, regional and interregional co-operation

149. The participants stressed the crucial importance of national, regional and interregional co-operation in the context of rehabilitation. Training, particularly specialized training, was inadequate in many countries. National, subregional and regional training institutes could provide training that could not be offered by individual enterprises because of the costs and specialized nature.

150. It was felt that research and development to adapt technology to local conditions was essential but costly. In that regard the participants agreed that the pooling of resources on a subregional and/or regional basis would be more economical and lead to the greater dissemination of results and transfer of technology, especially to smaller countries.

151. It was further felt important that such research and development should at all times be linked to commercial enterprises as well as to the national education system.

152. The participants underlined the need for an extensive network of information on inputs, suppliers of components and spare parts, sources of appropriate technology, market development, packaging and so on. International co-operation would be clearly advantageous.

153. As a result of the small size of the markets in many African countries, intra-African trade would be a valuable means of stimulating exports and hence increasing capacity utilization.

154. Many participants stressed the need to harmonize national economic policies to provide a conducive environment for food-processing enterprises and to avoid the dumping of cheap imports to the detriment of local agro-industrial enterprises.

Annex I

LIST OF PARTICIPANTS

Algeria

Hocine Mettouchi, Directeur du Développement Industriel et des Stratégies, Ministère des mines et de l'industrie, immeuble "Le Colisé", rue Ahmed Bey, Algiers

Austria

Johann Kotritsch, Marketing Manager, Experts and Technology Transfer Agency (ETTA), Rosenbursenstrasse 4, 1010 Vienna

Hanno Zaki, Consultant for Arab States and African Countries, Experts and Technology Transfer Agency (ETTA), Rosenbursenstrasse 4, 1010 Vienna

Belgium

José Libert, Secrétaire du Conseil central de l'économie, 17-21, avenue de la Joyeuse Entrée, 1040 Brussels

Ginette Parent-Colson, Conseiller-adjoint au Conseil central de l'économie, 17-21, avenue de la Joyeuse Entrée, 1040 Brussels

Jean G. Collet, Training Manager, Institut belge de l'emballage, 15, rue Picard, 1210 Brussels

Botswana

Tlhabologo Botsang-Ndzinge, Head, Project Research Unit, Department of Industrial Affairs, Ministry of Commerce and Industry, P. Bag 0014, Gaborone

Burkina Faso

Abdoulaye Ouedraogo, Ingénieur agro-alimentaire, Direction du Développement Industriel, B.P. 258, Ouagadougou 01

Burundi

Prime Nyamoya, Secrétaire Général, Chambre de commerce, d'industrie, d'agriculture et d'artisanat (CCI), B.P. 313, Bujumbura

Byelorussian Soviet Socialist Republic

Anatoly Kovalev, Chief of Department, State Committee for Economy and Planning

Alexander Shalabadinsky, Deputy Chairman, State Committee for Economy and Planning

Cameroon

Kwetcha, Chargé d'études assistant, Direction de l'industrie, Ministère du développement industriel et commercial, B.P. 2701, Yaoundé

Comoros

Mohamed Ahmed, Directeur de l'Industrie et de l'Artisanat, Ministère d'Etat chargé de la production et de l'industrie, B.P. 41, Moroni

Côte d'Ivoire

Joseph Kouame-Kra, Président Directeur Général, SODESUCRE, B.P. 2164, Abidjan 01

Denmark

Preben Vendelbo, Project Engineer, Biotechnical Institute, ATV, Holbergsvej 10, DK-6000 Kolding

Egypt

Khaled Mohamed Galal Eldin Abdel-Hamid, Adviser to the Permanent Representative of the Arab Republic of Egypt to UNIDO, Gallmeyergasse 5, 1190 Vienna, Austria

Equatorial Guinea

Aniceto Ebiaca Moete, Director-General, Department of Planning, Ministry of Industry, Avd. C/ aeropuerto S/N, Malabo

Ethiopia

Milkias Teklegiorgis, Deputy General Manager, Ethiopian Food Corporation, P.O. Box 2345, Addis Ababa

France

Marcel Tremeau, Ambassadeur, Représentant permanent de la France auprès de l'ONUDI, Walfischgasse 1/1, 1010 Vienna, Austria

Christine Brochet, Direction des Nations Unies et des Organisations Internationales, Ministère des Affaires Etrangères, 37, Quai d'Orsay, 75007 Paris

Georges Cancade, Secrétaire Général, Société de promotion et de participation pour la coopération économique (PROPARCO), Cité du Retiro, 35-37, rue Boissy d'Anglas, 75379 Paris Cedex 08

Caroline de Bouvier, Chargé de mission, Société ADEPTA, 3, rue Barbet de Jouy, 75007 Paris

Daniel Diebolt, Directeur associé, Groupe OUROUMOFF, 94, rue Lauriston, 75116 Paris

Patrice Guitard, Fondé de pouvoir du groupe SOMDIAA, SODESUCRE, B.P. 2164, Abidjan 01, Côte d'Ivoire

Philippe Mely, Suppléant du Représentant permanent de la France auprès de l'ONUDI, Walfischgasse 1/1, 1010 Vienna, Austria

Frederick Pierre Pinel, API-PME, B.P. 21, 92213 Saint-Cloud

Christian Sauzerau, Directeur général, Société ADRA, Tour Total, 24, cours Michelet, 92069 Paris la Défense

Gabon

Barnabé Mebaley M'Ba, Directeur Général de la Consommation, Ministère du commerce, de la consommation et de l'industrie, B.P. 237, Libreville

André Mangongo Mzambi, Haut Commissaire auprès du Ministre du commerce, de la consommation et de l'industrie, B.P. 237, Libreville

Gambia

Manga Sanyang, Senior Industrial Economist, Ministry of Trade, Industry and Employment, Central Bank Building, Banjul

Ghana

Evans Seth Addo, Principal Industrial Promotion Officer, Ministry of Industries, Science and Technology, P.O. Box M39, Accra

Kwabena Adjei, Deputy Secretary of State, Ministry of Industries, Science and Technology, P.O. Box M39, Accra

Guinea

Alpha Amadou Diouldé Diallo, Chargé d'études, Ministère de l'industrie, du commerce et de l'artisanat (MICA), B.P. 468, Conakry

Guinea-Bissau

Idrissa Bari, Technicien, Chef, Section de l'industrie alimentaire, Direction générale de l'industrie, B.P. 311, Bissau

Haiti

Roland Pierre, Directeur général, Fonds de développement industriel, Immeuble BNP, 4ème étage, B.P. 2597, Port-au-Prince

Hungary

Iván Varsányi, Head of Department, Central Food Research Institute, Herman Ottò út 15, H-1022 Budapest

Iran (Islamic Republic of)

Ahmad Malayeri, Alternate Permanent Representative of the Islamic Republic of Iran to UNIDO, Jaurèsgasse 9, 1030 Vienna, Austria

Italy

Orlando Claudio Angelino, COMERINT, Via Paolo di Dono 223, 00143 Rome

Agrippina Alessandroni, Coordinateur pour l'industrie, Direction générale pour la coopération au développement, Ministère des Affaires Etrangères, Via S. Contarini 25, Rome

Marcello Donato, Senior Executive, Pavan-Mapimpianti SpA, Via Europa 27, 35015 Galliera Veneta (PD)

Pierre Hatungimana, Consultant, Centro Estero Camere Commercio Lombarde, Corso Vittorio Emanuele II 15, 20122 Milan

Luigi La Vecchia, Business Development, Agricultural and Food Department, FIAT IMPNESIT - RAGGRUP PAMENTO TERRITORIO, Corso Ferrucci 112, 10141 Turin

Patrizia Rögelsperger, Trade Analyst, Italian Trade Commission, Maysedergasse 2, 1010 Vienna, Austria

Catherina Rotunno, Director, Italian Trade Commission, Maysedergasse 2, 1010 Vienna, Austria

Enrico Simoncini, Area Manager (Africa), Pavan-Mapimpianti SpA, Via Europa 27, 35015 Galliera Veneta (PD)

Madagascar

William Ravoninjatovo, Chef du Service d'appui et de suivi, Direction de l'industrie, de l'énergie et des mines, B.P. 527, Antananarivo

Mali

Moise Kodio, Chef, Division Planification et Réalisations Industrielles, Direction nationale des industries, B.P. 278, Bamako

Mauritania

Abdoul Aziz Wane, Cadre, Direction de l'Industrie, Ministère des mines et de l'industrie, B.P. 387, Nouakchott

Morocco

Abdelaziz Slaoui Andaloussi, Chef, Département d'assistance internationale aux petites et moyennes industries, Office pour le développement industriel (ODI), No. 10, rue Ghandi, B.P. 211, Rabat

Ali Zaki, Directeur Général, Institut marocain de l'emballage et du conditionnement, B.P. 8006 Casa-Oasis, Casablanca

Mozambique

Lara da Silva Carrilho, XIGAIO, P.O. Box 605, Maputo

Netherlands

Rudolf Wirtz, Head, Technical Co-operation, Netherlands International Institute for Management (RVB), P.O. Box 1203, 6229 BE Maastricht

Niger

Maman Mountaka Bounou, Chef, Division de l'administration, DAEP/MP, B.P. 862, Niamey

Abdou Morou, Chef de Division, Direction du développement industriel, Ministère de la promotion économique, B.P. 480, Niamey

Nigeria

Samuel Durotade Agboola, Director, Nigerian Stored Products Research Institute, P.M.B. 1489, Ilorin

Oman

Hunaina Sultan Al-Mugheiry, Director of Industrial Planning, Ministry of Commerce and Industry, P.O. Box 550, Muscat

Abdullah bin Hamad bin Seif Al-Riyami, Second Secretary, Permanent Mission of the Sultanate of Oman, Währingerstrasse 2-4/24-25, 1090 Vienna, Austria

Poland

Zdzislaw Halaczkiewicz, Deputy Director, Ministry of Agriculture and Food Industry, Warsaw

Aleksander Surazynski, Professor, University of Agriculture and Technology, Olsztyn

Rwanda

Jean Ndagiwenimana, Chef, Division de l'assistance aux entreprises et promoteurs agro-industriels, Ministère de l'industrie et de l'artisanat, B.P. 73, Kigali

Sao Tome and Principe

Maria José dos Santos Rita, Technicienne, Direction technique de l'industrie, de l'énergie et du tourisme, B.P. 198, Sao Tome

Saudi Arabia

Nabil Hussein Ashri, Alternate Permanent Representative of Saudi Arabia to UNIDO, Formanekgasse 38, 1190 Vienna, Austria

Fahad A. Alzeid, Alternate Permanent Representative of Saudi Arabia to UNIDO, Formanekgasse 38, 1190 Vienna, Austria

Senegal

Abdoulaye Mamadou Ball, Ingénieur, Direction de l'Industrie, Ministère de l'industrie et de l'artisanat, B.P. 4037, Dakar

Alexandre Coly, Chef du Département des études, SONEPI, B.P. 100, Dakar

Simon Dioh, Directeur de l'Industrie, Ministère de l'industrie et de l'artisanat, B.P. 4037, Dakar

Abdoulaye Diouf, Directeur Adjoint, Institut sénégalais de normalisation, B.P. 4017, Dakar

Doudou Diouf, Conseiller Technique, Ministère de l'industrie et de l'artisanat, B.P. 4037, Dakar

Moussa Faye, Directeur de la cellule de restructuration industrielle (CRI), Ministère de l'industrie et de l'artisanat, B.P. 4037, Dakar

Djibril Ndiaye, Conseiller technique principal, Ministère de l'industrie et de l'artisanat, B.P. 4037, Dakar

Ibrahima Sarr, Député, Secrétaire administratif, Confédération nationale des travailleurs (CNTS), B.P. 937, Dakar

Sierra Leone

Samuel Anthony, Manager, Bon Marché Enterprises, 53, Siaka Stevens Street, Freetown

Sudan

Ahmed Sharif Osman, Director-General of Industrial Planning and Programming, Ministry of Industry, P.O. Box 2184, Khartoum

Thailand

Manus Sooksmarn, Deputy Permanent Secretary, Ministry of Industry, Bangkok

Kanokpan Chancharaswat, Alternate Permanent Representative of Thailand to UNIDO, Weimarer Strasse 68, 1180 Vienna, Austria

Rangsit Hiangrat, Foreign Relations Officer, Office of the Permanent Secretary, Ministry of Industry, Bangkok

Putho Soodsakorn, Industrial Counsellor, Permanent Mission of Thailand to UNIDO, Weimarer Strasse 68, 1180 Vienna, Austria

Songkram Thamagasorn, Director, Foreign Relations Division, Office of the Permanent Secretary, Ministry of Industry, Bangkok

Werayut Yoothongkam, Alternate Permanent Representative of Thailand to UNIDO, Weimarer Strasse 68, 1180 Vienna, Austria

Togo

Djahlin Broohm, Attaché, Secrétariat Général de la Chambre de commerce du Togo, B.P. 360, Lomé

Uganda

Martin Onyach-Olaa, Senior Industrial Officer, Ministry of Industry and Technology, P.O. Box 7125, Kampala

United Republic of Tanzania

Januarius Gaspar Mrema, Head, Food, Beverages and Tobacco Sector, Ministry of Industries and Trade, P.O. Box 9503, Dar-es-Salaam

United States of America

Crayon Neil Efird, Alternate Permanent Representative of the United States of America to UNIDO, Obersteinergasse 11-15, 1190 Vienna

Yugoslavia

Rajko Tomanovic, Director of Institute, Faculty of Technology, Veljka Vlahovica 2, 2100 Novi Sad

Bozana Stanic, Senior Counsellor, Provincial Secretariat for International Co-operation, Bul. un. Tita 16, 2100 Novi Sad

Zaire

Balongo B'Okamba, Directeur National, Ministère de l'industrie, commerce et artisanat, B.P. 8500, Kinshasa-Gombe

Lefaza Mampuya, Chargé des questions sociales et culturelles, Mission permanente du Zaïre auprès de l'ONUDI, Marokkanergasse 22/1/6, 1030 Vienna, Austria

Zambia

Listard E.C. Banda, Deputy Director, Ministry of Commerce and Industry, P.O. Box 31968, Lusaka

Organizations of the United Nations system

United Nations Children's Fund (UNICEF)

Horst L. Halens, Senior Food Conservation Engineer, 3 United Nations Plaza, New York, N.Y. 10017, United States of America

Food and Agriculture Organization of the United Nations (FAO)

Morton Satin, Chief, Food and Agricultural Industries Service, Agricultural Services Division, Via delle Terme di Caracalla, 00100 Rome, Italy

Intergovernmental organizations

African Development Bank

El Sadig M. Musa, Chief, Infrastructure of Industry Development Policy Division, P.O. Box 1387, Abidjan, Côte d'Ivoire

Central African States Development Bank (CASDB)

Gabriel Gaetan Guerezebanga, Sous-Directeur des Opérations, P.O. Box 1177, Place du Gouvernement, Brazzaville, Congo

Salomon Tchatchouang, Chef de la Division de l'Agro-industrie, P.O. Box 1177, Place du Gouvernement, Brazzaville, Congo

Non-governmental organizations

Association technique africaine

Gilles Cissoko, Représentant Permanent, 23, rue du Rocher, 75008 Paris, France

Annex II

LIST OF DOCUMENTS

Issue papers

Issue 1:	Measures for the rehabilitation of enterprises in the food-processing subsector in Africa	ID/WG.499/2
Issue 2:	National policies and support action for industrial restructuring for the long-term profitability of the food-processing industry in Africa: international co-operation and financing for industrial restructuring in Africa	ID/WG.499/3

Background papers

Industrial rehabilitation and restructuring in Africa: the case of the food-processing subsector	IPCT/87(SPEC.)
Summary of 14 case studies on the state of the manufacturing industries with emphasis on the food-processing subsector in Africa	ID/WG.499/1(SPEC.)

Reference paper

Report of the Expert Group Meeting on Industrial Rehabilitation and Restructuring with Special Focus on the Food-Processing Subsector in Africa	IPCT.104(SPEC.)

UNIDO ONUDI

SYSTEM OF CONSULTATIONS | **SYSTEME DE CONSULTATIONS** | **SISTEMA DE CONSULTAS**

Documentation Service

Please, return to:
UNIDO
System of Consultations
P.O. Box 300
A-1400 Vienna, Austria

Service de documentation

Prière de retourner à :
ONUDI
Système de Consultations
B.P. 300
A-1400 Vienne, Autriche

Servicio de Documentación

Sírvase devolver a :
ONUDI
Sistema de Consultas
P.O. Box 300
A-1400 Viena, Austria

PLEASE PRINT VEUILLEZ ECRIRE EN LETTRES D'IMPRIMERIE SIRVASE ESCRIBIR EN LETRAS DE IMPRENTA

(1) Last name - Nom de famille - Apellido

(2) First name (and middle) - Prénom(s) - Nombre(s)

(3) Mr./Ms - M./Mme - Sr./Sra

(4) Official position - Fonction officielle - Cargo oficial

(5) Name of organization *in full* - Nom de l'organisation *en toutes lettres* - Nombre *completo* de la organización

(6) Official address - Adresse officielle - Dirección oficial

(7) City and country - Ville et pays - Ciudad y país

(8) Telephone – Téléphone - Teléfono

(9) Telex

(10) If you wish to receive our documents, please indicate sectors of interest
Si vous souhaitez recevoir nos documents, veuillez indiquer les secteurs d'intérêt
En caso de que desee recibir nuestros documentos, sírvase indicar los sectores de interés para Ud

COUNTRY / ORGANIZATION

Printed in Austria
V.91-21051—February 1991—1,950

ID/373
(ID/WG. 499/4)